

**H U G O   B O S S**

# **Financial Performance & Strategic Direction**

## **First Half 2009**

July, 2009

© HUGO BOSS AG – Metzingen, Germany

## Agenda

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**Strategic direction**

**Highlights**

**Financial Performance**

**Outlook**

## Forward-looking Statements Contain Risks

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This document contains forward-looking statements that reflect management's current views with respect to future events. The words "anticipate", "assume", "believe", "estimate", "expect", "intend", "may", "plan", "project", "should", and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties. If any of these or other risks and uncertainties occur, or if the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements. We do not intend or assume any obligation to update any forward-looking statement, which speaks only as of the date on which it is made.

## Agenda

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**Strategic direction**

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## Our heritage

Founded in 1924 by Hugo Boss  
in Metzingen, Germany

BOSS brand launched in 1970,  
HUGO launched in 1993

Launch of first BOSS Golf collection in 1997  
BOSS Sport (today BOSS Orange) in 1998

Launch of HUGO Womenswear in 1998,  
BOSS Womenswear in 2000

- BOSS Golf becomes BOSS Green in 2003
- BOSS Selection launched in 2004
- Shoes & Leather Accessories integrated in 2004

BOSS Orange Womenswear launched in 2006



**Our portfolio of strong brands – oscillating between elegant, casual, and avant-garde (I/II)**

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## Our portfolio of strong brands – oscillating between elegant, casual, and avant-garde (II/II)

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### *High brand awareness*

~ 90 - 100% among target consumers

### *High share of buyers* within target group






~ 40 - 60% at BOSS Black/Selection/HUGO

~ 15 - 30% at BOSS Orange/Green





## Brand portfolio – Brand DNA at a glance

					
Role within our portfolio	The luxury brand	The heritage-driven core brand	The golf & premium sportswear/lifestyle brand	The urban casual wear	The fashion spearhead
Brand Personality	Modern   Luxurious   Elegant	Superior   Premium   Contemporary	Relaxed   sporty   optimistic   vigorous	Urban   modern   confident	Edgy   progressive   creative   individual
Brand Promise	Modern style and uncompromised workmanship	Being impeccably and appropriately dressed	Premium Sportswear enriched by elements of golf	Modern casual wear that adapts to the lifestyle of the metropolitan inner-city	Avant-garde/ contemporary fashion that underlines a creative and individual attitude
Point of Difference	Modern luxury clothing and sportswear with a passion for quality and details	Contemporary elegance associated with a desirable lifestyle	Sophisticated lifestyle sports fashion – with roots in the golf sport	Fashion-driven premium casual wear for individual style seekers	Unconventional & progressive without being loud

## Key Competitors on corporate level

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Following competitors have a similar structure as HUGO BOSS on a corporate level (“benchmark competitors”):



## Market environment – Recap of first half 2009

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Toughest global economic development since decades

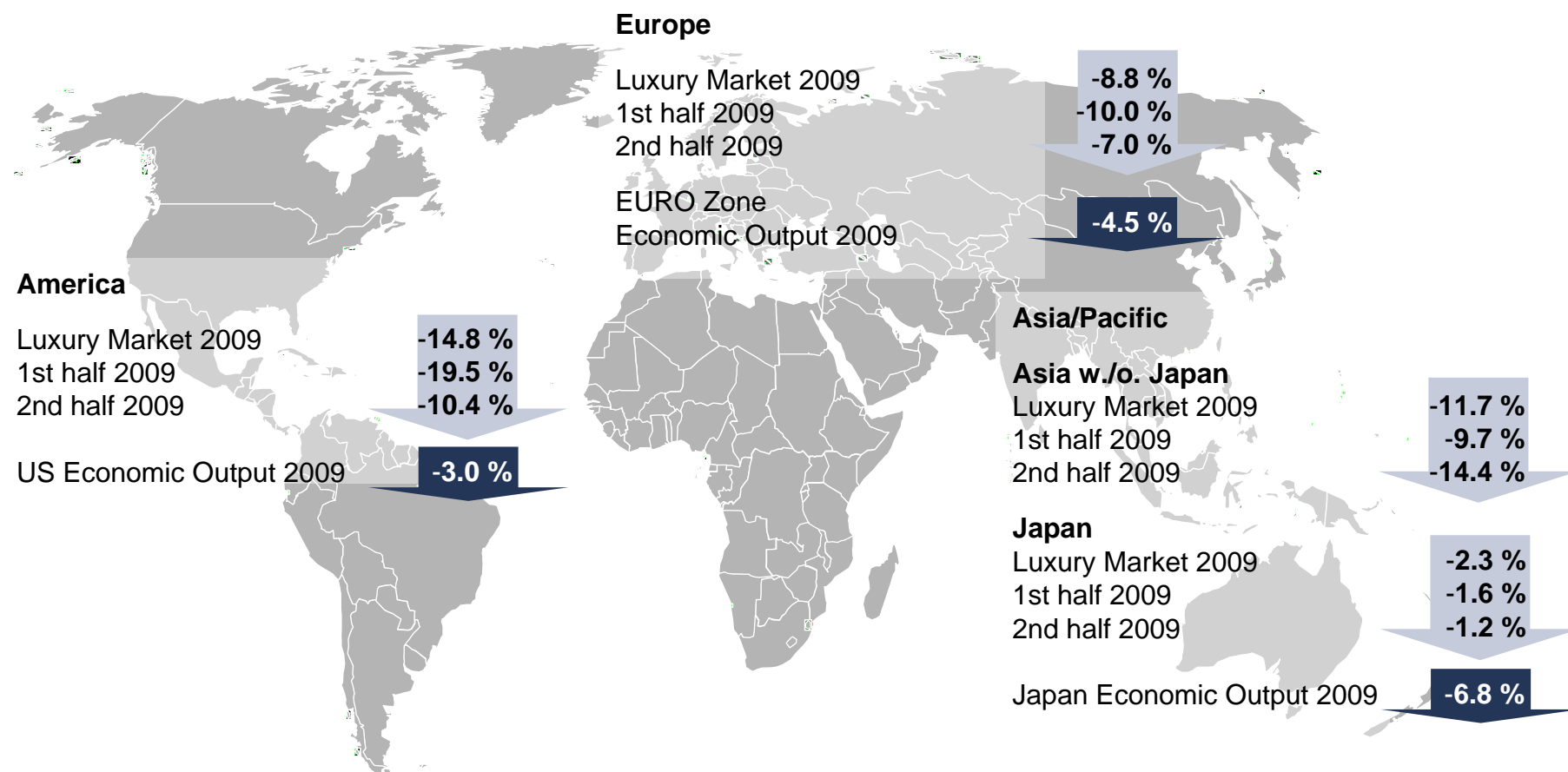
Key markets under pressure

Increasingly challenging business environment

Retailers adjusting strategies

Changing consumer behavior

## Market environment – Regional estimations illustrate global impact of crisis



Note: All figures are estimations by respective organizations as quoted.

Source: Altgamma, [http://www.altgamma.it/pag\\_spec/Scenari\\_2009/approfondimenti/03\\_ALTAGAMMA\\_CONSENSUS\\_2009.pdf](http://www.altgamma.it/pag_spec/Scenari_2009/approfondimenti/03_ALTAGAMMA_CONSENSUS_2009.pdf)

Worldbank, <http://www.ftd.de/politik/international/:Eurozone-USA-und-EntwicklungsI%E4nder-Weltbank-senkt-Konjunkturprognose/530077.html>

## Re-organization of top management structure successfully completed

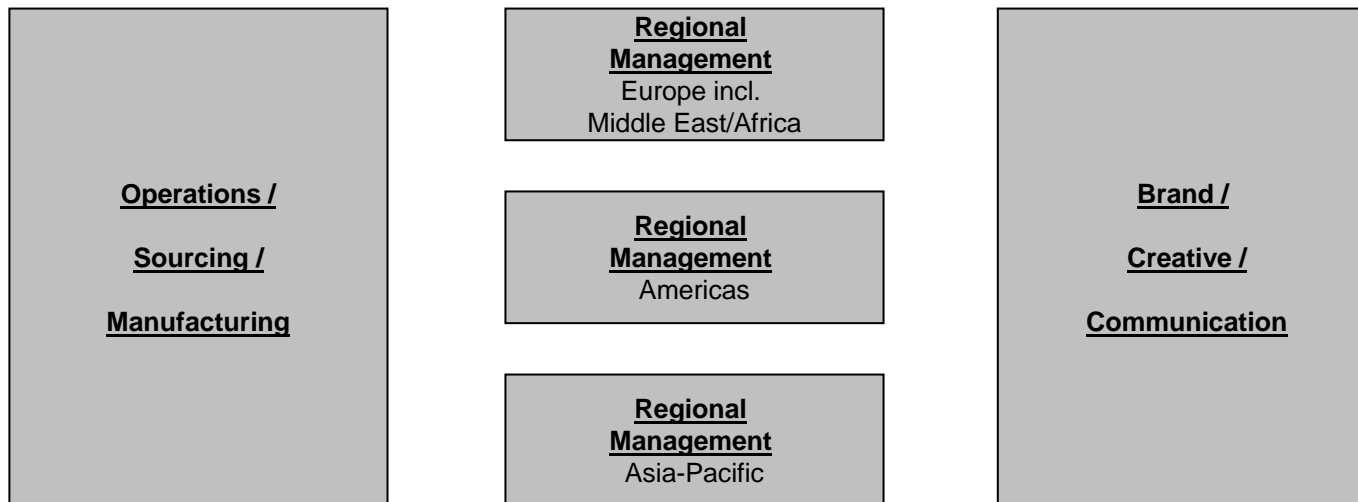
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### Management Board



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### Strategy Board



## Performance initiatives delivering profitable results in the first half of 2009 and expected to drive sustainable results and earnings in the second half

Scope of initiatives	Performance of initiatives
Improving fixed cost structure	<ul style="list-style-type: none"> <li>Realigning the Group's organizational structure</li> </ul>
Turning retail network into Group's profit driver	<ul style="list-style-type: none"> <li>Evaluating and harmonizing redundant structures and processes</li> </ul>
Harmonizing sourcing and manufacturing activities	<ul style="list-style-type: none"> <li>Improving general expenses, e.g. travel / department expenses</li> </ul>
Decreasing net working capital to a healthy level	<ul style="list-style-type: none"> <li>Reviewing global marketing spending</li> </ul>
Reducing collection complexity	<ul style="list-style-type: none"> <li>Streamlining international showroom network</li> </ul>

## Performance initiatives delivering profitable results in the first half of 2009 and expected to drive sustainable results and earnings in the second half

### Scope of initiatives

Improving fixed cost structure

Turning retail network into Group's profit driver

Harmonizing sourcing and manufacturing activities

Decreasing net working capital to a healthy level

Reducing collection complexity

### Performance of initiatives

- Analyzing global retail store portfolio
- Identifying and discontinuing retail operations of 13 DOS not reaching internal KPI targets
- Starting in-store retail excellence program reaching industry benchmark
- Improving retail cost base, e.g. rent, personnel

## Performance initiatives delivering profitable results in the first half of 2009 and expected to drive sustainable results and earnings in the second half

### Scope of initiatives

Improving fixed cost structure

Turning retail network into Group's profit driver

Harmonizing sourcing and manufacturing activities

Decreasing net working capital to a healthy level

Reducing collection complexity

### Performance of initiatives

- Optimizing supplier portfolio
- Extending global sourcing activities
- Generating economies of scale in terms of plant utilization
- Reducing overall logistics costs



## Performance initiatives delivering profitable results in the first half of 2009 and expected to drive sustainable results and earnings in the second half

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### Scope of initiatives

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Improving fixed cost structure

Turning retail network into Group's profit driver

Harmonizing sourcing and manufacturing activities

Decreasing net working capital to a healthy level

Reducing collection complexity

### Performance of initiatives

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- Streamlining order booking behavior
- Limiting use of merchandise contracts for customers
- Monitoring net working capital development by DIO, DPO, and DSO
- Renegotiating terms and conditions of purchase
- Enforcing A/R – management

## Performance initiatives delivering profitable results in the first half of 2009 and expected to drive sustainable results and earnings in the second half

### Scope of initiatives

Improving fixed cost structure

Turning retail network into Group's profit driver

Harmonizing sourcing and manufacturing activities

Decreasing net working capital to a healthy level

Reducing collection complexity

### Performance of initiatives

- Reviewing collection development processes
- Driving product efficiency per style-color
- Lowering prototyping and sampling costs

## Key takeaways of performance initiatives

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Performance initiatives already delivered positive contribution in the first half of 2009

Protecting net profit would have hardly been possible without launch and implementation of improvement levers

One-off expenses for retail turnaround and complexity streamlining of 13 EUR mill.

Performance initiatives estimated to deliver same effect in second half as in first half

Strengthening our excellent brand portfolio and positioning with clear focus on product competence

Extend our operational excellence, and further develop our global distribution network

## Brand/ Product excellence – BOSS Selection portfolio supplemented by the TAILORED LINE

**BOSS**  
HUGO BOSS  
S E L E C T I O N

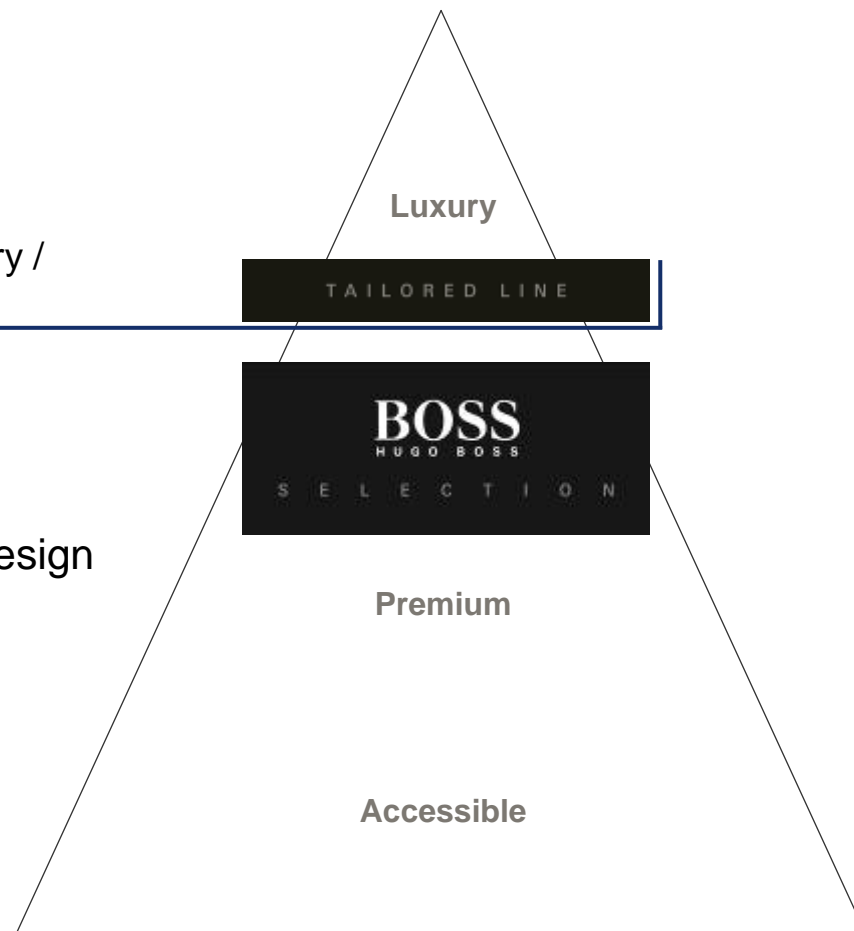


Positioning in Luxury /  
Premium Segment

Full-canvas interpretations using contemporary design

Superlative quality and craftsmanship

Produced in Germany and Italy



## Brand/ Product excellence – Extending brand awareness by store openings in most prestigious locations



Focus on Asian region



Offering complete range of BOSS Selection as well as Tailored Line



Enlarging existing customer base into luxury segment

BOSS Selection Store, ION Mall, Orchard Road, Singapore

## Brand/ Product excellence – Introducing BOSS Orange new direction



New direction beginning with 2010 Spring/Summer collection

Modern casualwear that adapts to the lifestyle of the metropolitan inner-city

Fashion segment: Premium brand, commercial consumer

Focus on denim, outerwear, accessories, knitwear, jersey, shirts



## Brand/ Product excellence – Shop concept BOSS Orange new direction







**BOSS**  
HUGO BOSS



sienna miller for  
**BOSS  
ORANGE**  
the new fragrance



## Brand/ Product excellence – BOSS Black Womenswear S/S 2010 MC

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First influences of new direction in  
2010 Spring/Summer collection

Realignment of organizational setup finished



First collection with new design guidance for  
precollection Autumn/Winter 2010

## Brand/ Product excellence – Retail Core Range introduction

## Consistent collection presentation across DOS

## Improving retail performance

## Supporting franchise partners in the long run

Introducing three store packages – S/ M/ L

Piloting BOSS Black Menswear  
incl. Shoes & Leather Acc.

## Focusing on European retail network



## Brand/ Product excellence – Leveraging the stock business

Strengthening of category business

Focusing on polo, knitwear, jeans, shirts, ties

Key success factors of chosen categories are:

- High product efficiency
- High volume
- High stock turn rate
- High product density on category floors
- Targeting floor space gains on category floors

### Polo & Knitwear



### Jeans



### Shirts & Ties





## Brand/ Product excellence – Launch of BOSS Kids Wear under new licensee

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Launch of Kids Wear BOSS  
for 2010 Spring/Summer

Featuring apparel, shoes & accessories,  
designed for boys and girls aged 0 to 16

First collection with French licensee  
C.W.F. Children Worldwide Fashion

## Sales excellence – Strong global monobrand footprint

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Slowing down growth rate despite uncertain market environment

Focusing on profitable monobrand network expansion

	December 31, 2008	March 31, 2009	June 30, 2009
<b>Number of Stores / Shops</b>	<b>1,389</b>	<b>1,385</b>	<b>1,394</b>
- Freestanding Stores	<b>477</b>	<b>471</b>	<b>472</b>
- Shop-in-Shops	<b>912</b>	<b>914</b>	<b>922</b>
<b>Thereof Directly Operated Number</b>	<b>330</b>	<b>336</b>	<b>342</b>
- Freestanding Stores	<b>116</b>	<b>119</b>	<b>123</b>
- Shop-in-Shops	<b>214</b>	<b>217</b>	<b>219</b>

## Sales excellence – Successfully entering new distribution channels | Go-live of online stores in Germany, France and the Netherlands

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Successful start of online store operations in 2008 in the UK

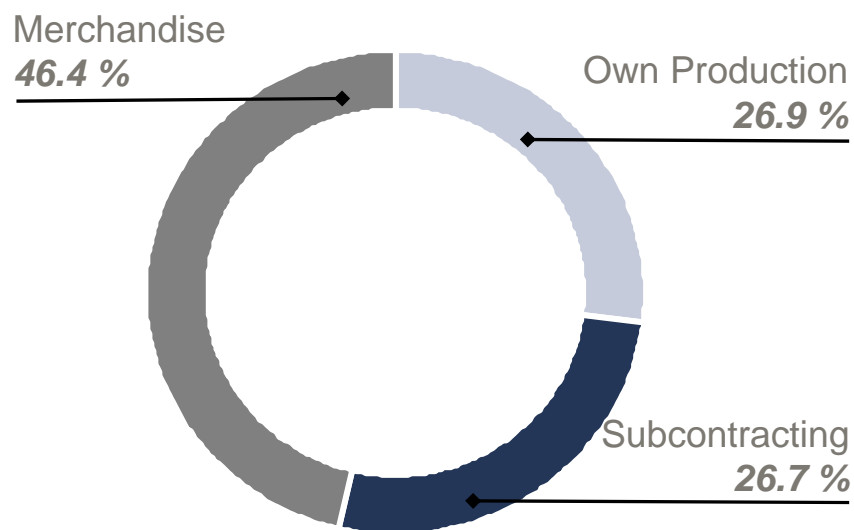
Go-live in NL, FR, DE in second quarter of 2009

Low value, but double digit growth rates

Over 11,000 orders

~ 715,000 visits per month

## Operational excellence – Global production and sourcing network (1/2)



Global purchasing volume of more than EUR 700 Mio.

Expansion of global sourcing

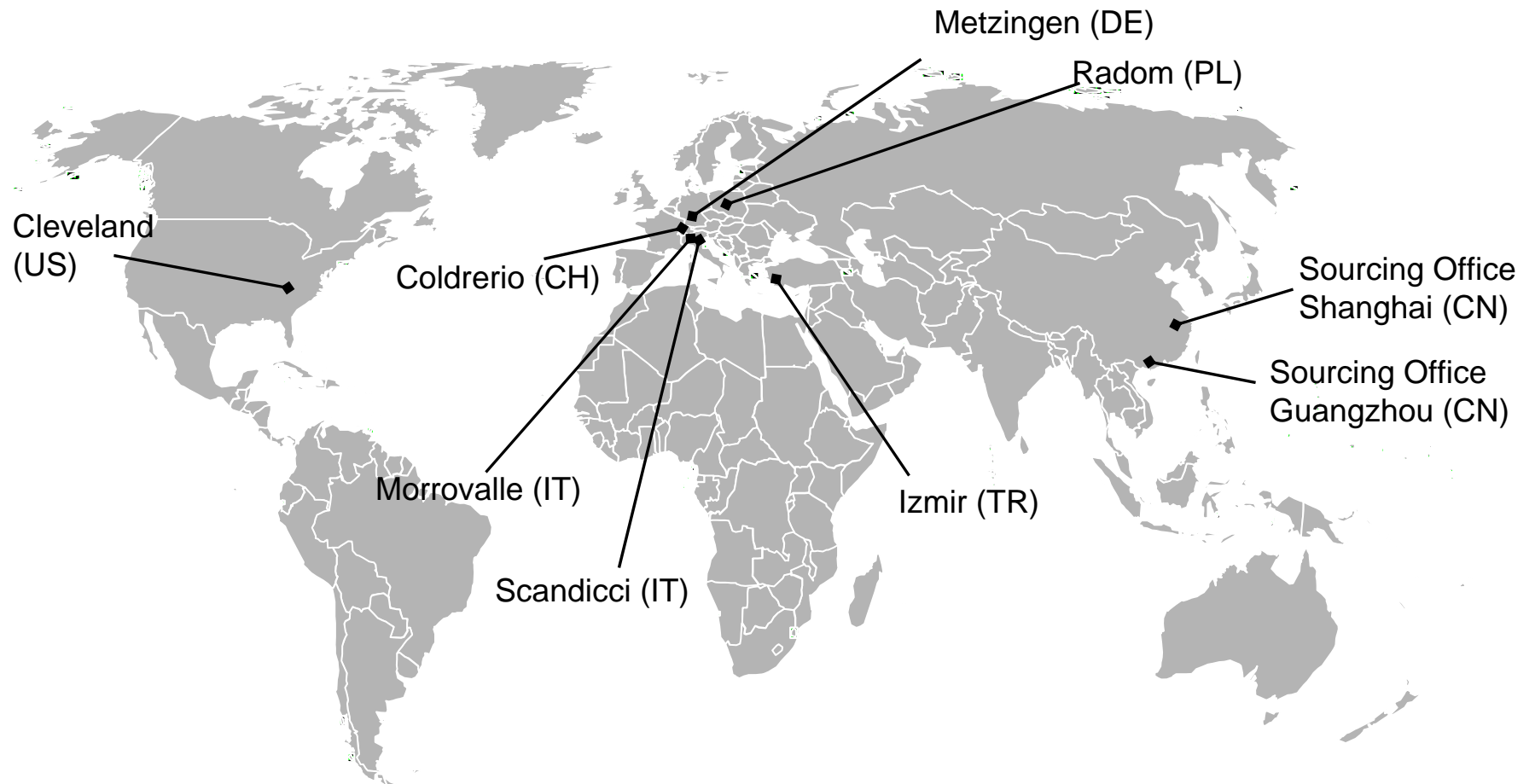
Identifying potential new suppliers by process driven tendering procedures

Integration of suppliers in product development

Notes: Figures reflecting split of year-to-date December 2008



## Operational excellence – Global production and sourcing network (2/2)



## Communication excellence – Press coverage highlights first months 2009

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## Communication excellence – Celebrity dressing highlights first months 2009

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**Milla Jovovich & Julia Stegner**  
At the BOSS Black Fashion Show  
in Berlin. January 2009



**Kim Basinger at the Premiere of  
"Informers" in L.A., June, 2009**



**Demi Moore at the Sundance  
Film Festival, June, 2009**



**Keanu Reeves at the Berlinale  
11<sup>th</sup> to 21<sup>st</sup> of February, 2009**

## Communication excellence – Art sponsoring highlights first months 2009

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Biennale 2009  
German Pavilion



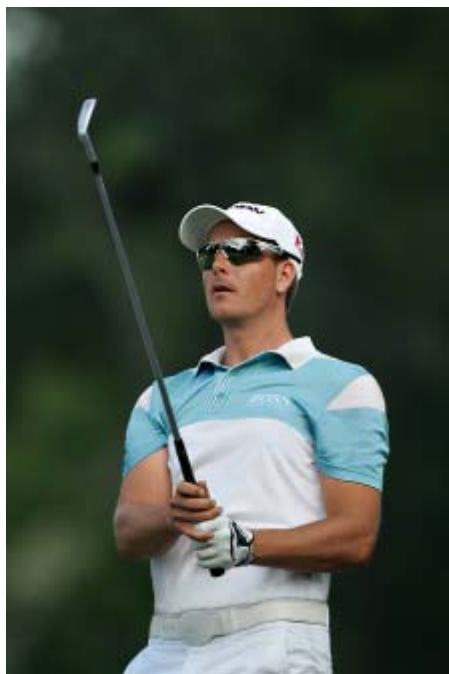
Emily Jacir's exhibition at the Guggenheim Museum, New York  
From February to March 2009





## Communication excellence – Sport sponsoring highlights first months 2009

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Hendrik Stenson at the  
BMW PGA Championship,  
Wentworth 21<sup>st</sup> - 24<sup>th</sup> of May, 2009



Alex Thompson at the Kieler Woche,  
20<sup>th</sup> - 28<sup>th</sup> of June, 2009



Lewis Hamilton in Monaco,  
May, 2009



## Agenda

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**Strategic direction**

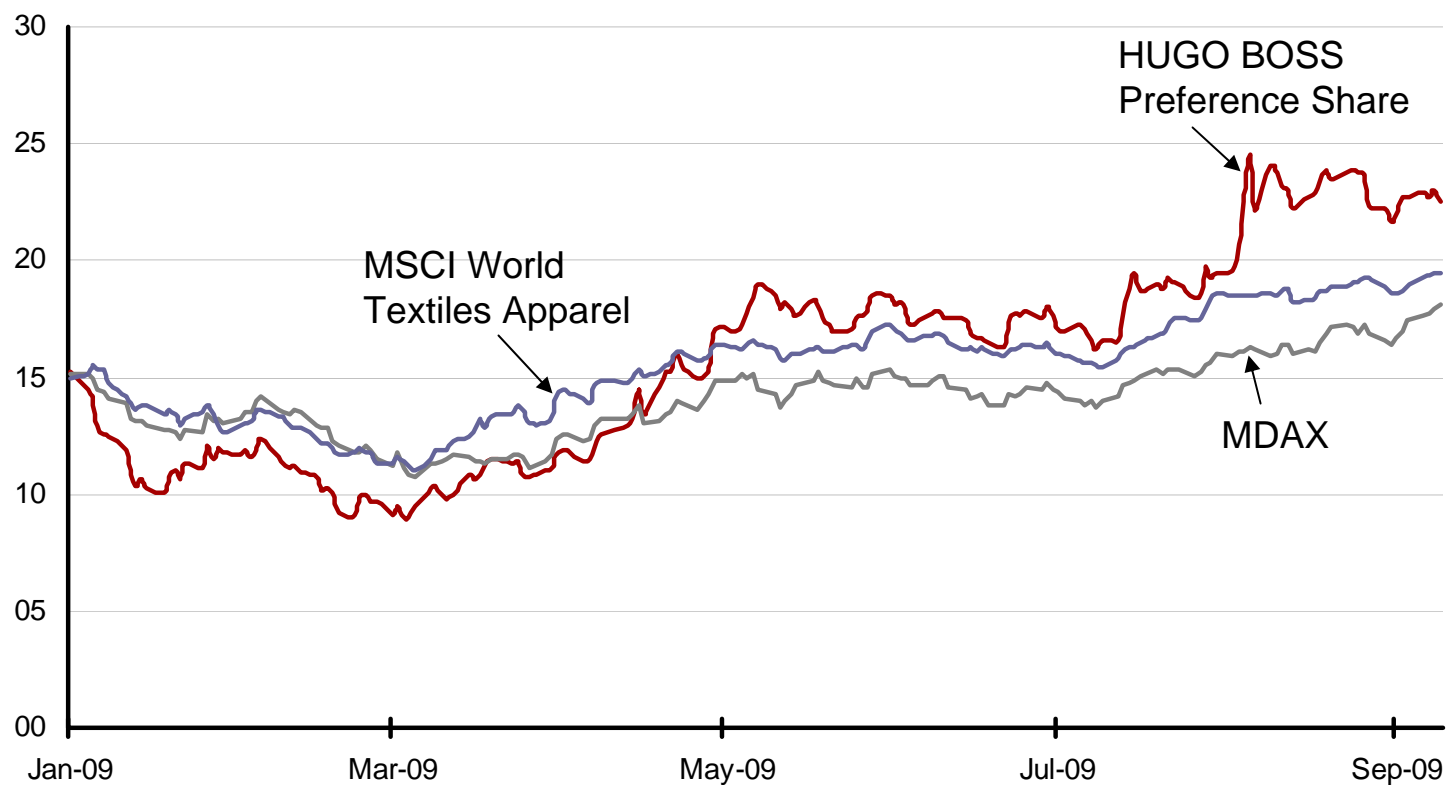
**Highlights**

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## Development of shares from January to September 2009

in EUR



MDAX / MSCI World indicated based on preferred shares January 2009



## Key figures first half year 2009

in EUR mill.

Net sales	787.6	- 5%	(fx-adj. - 7%)
Contribution margin	411.0	- 6%	
Contribution margin in % of sales	52.2%	- 0.4 ppt.	
EBITDA before special items	119.8	- 10%	
Net working capital	315.2	- 29%	
Net debt	528.6	- 15%	
Cash flow from operating activities	153.5	> 100%	

## Key figures first half 2009

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Sales of EUR 788 Mill. generated in first half, reflecting a slight decline of 5%

Contribution margin in % of sales declined marginally by only 0.4 ppt.

Internal key performance indicator EBITDA before extraordinary items was down 10%, mainly due to risk-adjusted write downs on receivables and inventories

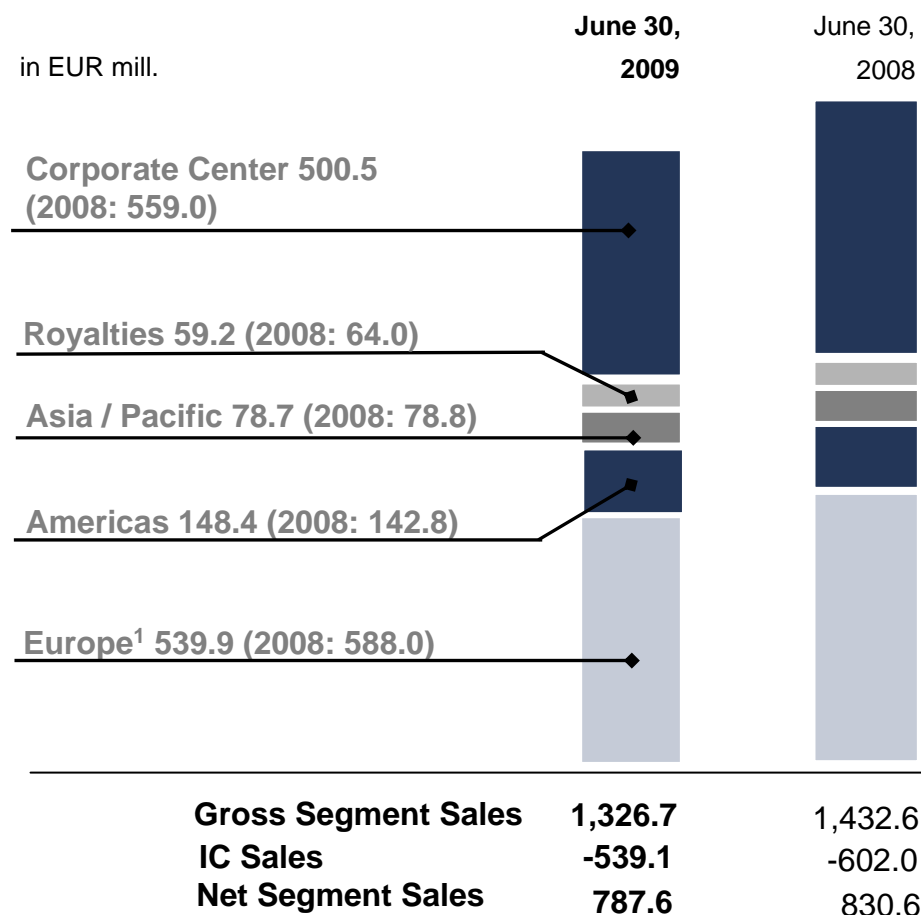
Net working capital declined by 29% and reduction of net debt by 15% contributed to development of cash flow from operating activities – rising from EUR 29 to 154 Mill.

## Sales by segment in first half 2009 including Intercompany Sales

Gross segment sales including sales between segments down to EUR 1,326.7 mill.

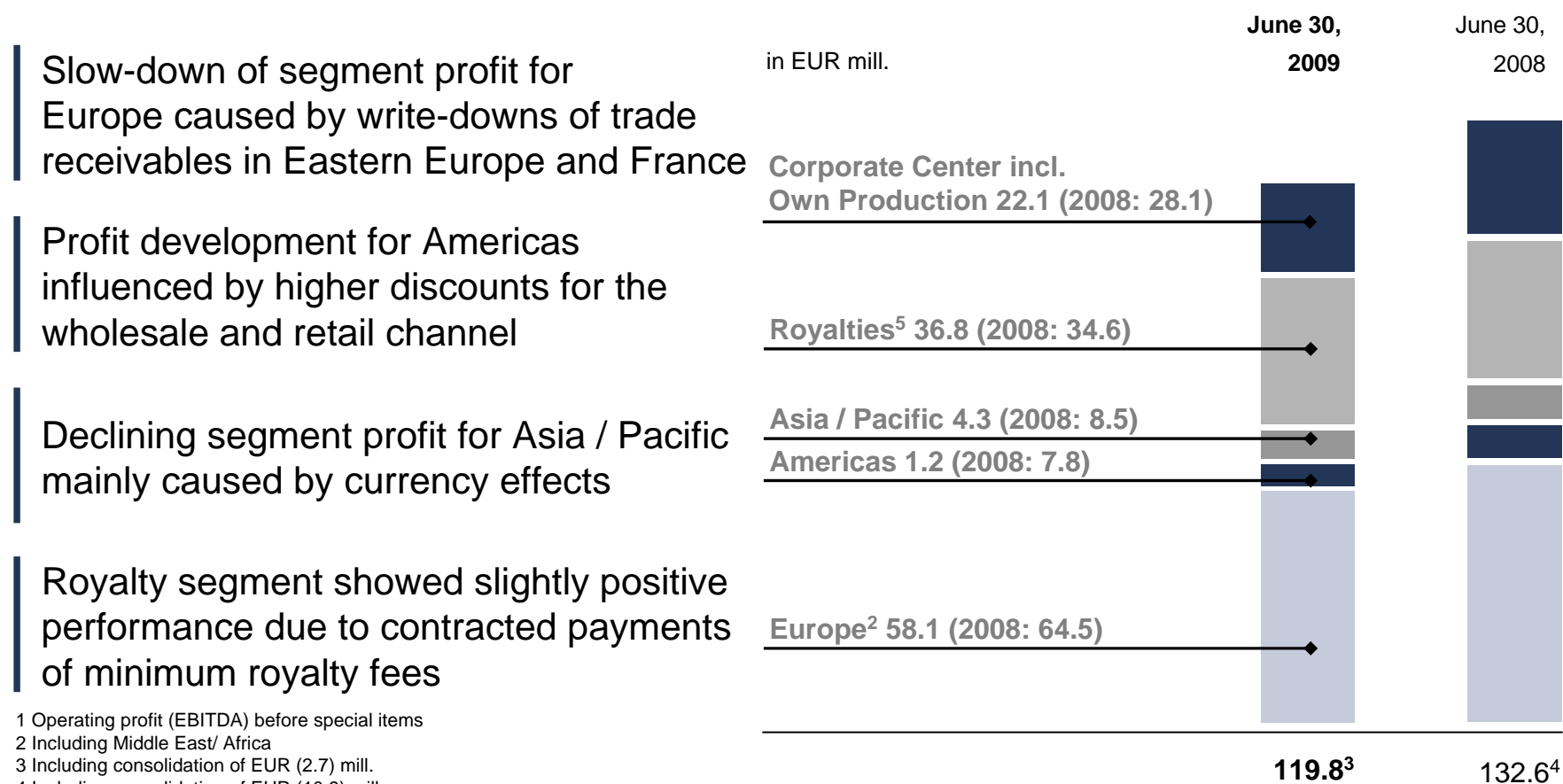
Including Consolidation to External customer sales of EUR 539.1 mill. (mainly Corporate Center + Royalties)

Segment profit on following page corresponds to Gross segment sales



<sup>1</sup> Including Middle East/ Africa

## Profit<sup>1</sup> development by segment first half 2009



1 Operating profit (EBITDA) before special items

2 Including Middle East/ Africa

3 Including consolidation of EUR (2.7) mill.

4 Including consolidation of EUR (10.9) mill.

5 Including EUR 19.1 mill. third party result

## Brand sales in first half developed in line with our expectations

**BOSS** sales suffered due to weak demand with a decline of 5% in the first half year 2009 and 8% after adjustments for currency effects

**HUGO** sales declined by 3%, reflecting a currency-adjusted sales decline of 6%

in EUR million	Jan. - June 2009	Jan. - June 2008	Change in %	Change in % Currency-adjusted
BOSS	713.9	754.2	-5	-8
Menswear	617.6	644.5	-4	-7
Womenswear	96.3	109.7	-12	-14
HUGO	73.3	75.8	-3	-6
Others	0.4	0.6	-33	-42
<b>Total</b>	<b>787.6</b>	<b>830.6</b>	<b>-5</b>	<b>-7</b>

## Strong cash flow development first half 2009

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Cash flow from operating activities was significantly above prior year figure due to positive effects from reducing net working capital level

Cash flow from investing activities nearly balanced given lower capital expenditures and increased proceeds from sale of fixed assets

Cash flow from financing activities mainly characterized by dividend payment as well as a partial repayment of the revolving part of the syndicated credit line

in EUR mill.	June 30, 2009	June 30, 2008
Cash flow from operating activities	153.5	29.0
Cash flow from investing activities	0.3	(41.3)
Cash flow from financing activities	(119.5)	10.5
Change in cash and cash equivalents	34.8	(2.4)

## Outlook for 2009 still uncertain

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Net sales expected to decrease on a year-on-year comparison due to global market conditions, but targeting to outperform competitors

Performance initiatives estimated to deliver positive results on cost structure to protect cash flow and profit margin also in 2<sup>nd</sup> half of 2009

Continuing focus on net working capital optimization (dedicated initiatives in trade receivables and inventory management)

Continuing of positive EBITDA margin development in percentage of sales





## Contact

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